



ELECTRIC DEREGULATION IN TEXAS

A Local Option for Municipal Utilities

The deregulation of the electric utility industry is underway across the nation (with mixed results) and is starting in Texas. Our local municipal utility (like those in 73 other cities in Texas) will face key local decisions about whether and when to participate in new deregulated electric markets.

Deregulation (also known as "restructuring", "customer choice", and "retail competition"), means that residents and businesses choose the supplier of their electricity, much like signing up for a new long-distance telephone provider. The local utility still delivers the electricity, maintains electric lines and restores service after a storm. In Texas, deregulation for investor owned utilities providing electric service in Dallas, Houston, and elsewhere starts January 1, 2002. Municipal utilities like ours (along with rural electric cooperatives) will make a local decision about "if and when" to participate in deregulation.

The Texas Legislature gave the local option to municipal electric utilities like ours for good reason.

Municipal utilities have always been locally controlled, and they have been successful in providing reasonable electric rates and community value. Surveys continually show that average municipal utility rates are among the lowest in Texas. Municipal utilities like ours provide funding for local government programs like police, parks, and libraries. Local authorities are in the best position to decide if and when to participate in deregulation.

Will electric deregulation offer clear benefits to municipal utility customers and their cities? In other states, deregulation has been less than successful. Electric rates are up in California and service reliability is down. Nationwide, less than 2% of customers have chosen an alternative electric provider. Experts agree that Texas' deregulation plan is better than other states, but there is still much uncertainty. Municipal utilities like ours will be able to wait and judge the early effects of deregulation. Our local authorities can choose to join the deregulated market when benefits are clear.

Major changes are underway in the electric utility business, with deregulation starting in some parts of Texas. The mission of your local municipal utility will not change - providing competitive electric rates, community value, and utility policies which are responsive to local needs.